

**Introduced by Senator Walters**

February 17, 2011

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An act relating to public employees' retirement.

LEGISLATIVE COUNSEL'S DIGEST

SB 520, as introduced, Walters. Public employees' retirement.

The State Teachers' Retirement System, the Public Employees' Retirement System, and the Judges' Retirement System and the Judges Retirement System II provide pension benefits based in part upon credited service. Under existing law, counties and districts, as defined, may provide retirement benefits to their employees pursuant to the County Employees Retirement Law of 1937.

This bill would declare the intent of the Legislature to enact legislation to reform California's unsustainable pension system by incorporating a defined-contribution program into California's system. The bill would also make related findings and declarations.

Vote: majority. Appropriation: no. Fiscal committee: no.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. (a) The Legislature finds and declares the
- 2 following:
- 3 (1) California's public pension and retiree health and dental
- 4 care expenditures have quintupled since the 1998–99 fiscal year,
- 5 from about \$1 billion to \$5 billion this year. Retirement spending
- 6 is expected to triple within the next decade, bringing the
- 7 expenditures to \$15 billion.

1 (2) Since 1998, California's state workforce has grown by 31  
2 percent and taxpayers now pay for expenses relating to the  
3 employment of more than 356,000 state workers.

4 (3) Since 2008, California has added over 13,000 employees to  
5 the state payroll during this recession.

6 (4) California taxpayers are paying pensions that exceed  
7 \$100,000 a year to over 12,000 former state and local government  
8 workers, including more than 9,000 state and local employees  
9 covered by the California Public Employees' Retirement System  
10 (CalPERS) and over 3,000 former school administrators or teachers  
11 covered under the California State Teachers' Retirement System  
12 (CalSTRS).

13 (5) California taxpayers pay 85 percent of the health care  
14 premiums for most active state workers, 100 percent of the health  
15 care costs for most state retirees, and 90 percent of health care  
16 costs for their families.

17 (6) CalPERS reported a loss of \$56.2 billion for the 2009–10  
18 fiscal year. CalSTRS posted a loss of \$43.4 billion in 2009.  
19 California taxpayers are on the hook for funding shortfalls not  
20 made up by pension fund performance or employee contributions,  
21 so taxpayers will be paying more to make up for these pension  
22 investment losses.

23 (7) California is one of several states that permit part-time  
24 locally elected officials to receive pension benefits.

25 (8) The public pension benefit increases passed with Senate Bill  
26 400 of the 1999–2000 Regular Session, which offered retroactive  
27 benefit increases to government workers, were supposed to cost  
28 \$650 million in 2010. That figure was based on CalPERS's  
29 assessment of its "superior return on system assets."

30 (b) It is the intent of the Legislature to enact legislation to reform  
31 California's unsustainable pension system by incorporating a  
32 defined-contribution program into California's system.